City of Seattle
2002 Housing Levy

Administrative & Financial Plan
Program Years: 2005-2006

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INTRODUCTION

The 2002 Seattle Housing Levy will provide up to $86 million over a 7 year period to provide, produce, and/or preserve affordable housing in Seattle and to assist low-income tenants in Seattle. The Housing Levy funds five programs:

1. Rental Preservation & Production
2. Neighborhood Housing Opportunity Program
3. Operating & Maintenance
4. Homeownership
5. Rental Assistance

The 2002 Housing Levy, approved by Seattle voters in September 2002, includes property tax levies authorized for seven years, from 2003 through 2009. The Office of Housing (OH) administers all 2002 Seattle Housing Levy programs with the exception of the Rental Assistance Program, which is administered by the Human Services Department.

Ordinance 120823, passed by City Council on June 10, 2002, adopted an Affordable Housing Financing Plan ("AHFP"), placed the Levy proposition on the September ballot and directed OH to prepare a Levy Administrative and Financial Plan (A&F Plan) covering all Levy programs every two years beginning in 2003. The A&F Plan also includes information on Levy administration and the funding plan for the 2002 Housing Levy by program area. A&F Plans may also include such other information as the Mayor or Housing Director may deem appropriate or the City Council may request.

The A&F Plan must be submitted to the City Council for adoption by ordinance, with such modifications as the City Council may require. Each Levy A&F Plan is developed by OH with the assistance of working groups that include nonprofit group representatives (including Seattle Housing Authority) and other community members. It is reviewed, revised and approved by the 2002 Housing Levy Oversight Committee.

The contents of this Plan are not intended to confer any legal rights on actual or potential project borrowers, applicants, or other persons. The terms of this Plan are subject to revision by ordinance and to the effect of applicable laws, regulations and ordinances.

PROGRAM FUNDING PLAN

This section directs the periodic transfer of monies to the 2002 Levy Operating and Maintenance Subfund and details the program funding plan for the 2002 Housing Levy for years 2005-2006. The annual funding allocations for each Levy program are as shown in Table 1 below. Allocations may not be fully expended in the years shown. The Finance Director shall transfer funds to the Operating and Maintenance Subfund no less frequently than semi-annually so that annual program funding is as outlined in Table 1.

Bridge Loans

The Office of Housing may use 1986, 1995, and/or 2002 Levy funds alone or together with other funds to make bridge loans to assist in development of low-income housing (for rental or owner occupancy). Bridge loans may be made from any program or subfund, and are not subject to the conditions or policies for any of the programs, except those specifically applicable to bridge loans as described below. Bridge loans may be made when, in the judgment of the OH Director, there is a high likelihood of repayment so funds will be available to fulfill the original purpose of the funds.

OH bridge loans are intended to provide short-term funding to permit housing projects to proceed in advance of the availability of permanent project funding. Bridge loan funding is available to enable property acquisition, construction or rehabilitation to proceed when the borrower can provide assurance that permanent funding will be available from other sources on acceptable terms within a reasonable time period to repay the bridge loan. Given reasonable assurance of repayment, bridge loans may also be made for acquiring at-risk Section 8 preservation projects or to assist in the acquisition of sites or buildings in designated Housing Investment Areas or in certain neighborhood areas in order to implement neighborhood plan-identified strategies advocated by community organizations. Applications for bridge loans may be made outside of OH's NOFA processes.

The maximum term of a bridge loan shall be two years. OH shall require payment of a reasonable rate of interest, which shall be no less than 3% simple interest. In addition, a loan fee may be charged for providing the bridge loan. A bridge loan may be made as a component of a larger loan that includes long-term financing.

OH may allow all or a portion of a bridge loan to be converted to a permanent loan subject to maximum subsidy limits for all OH and other City agency administered or allocated capital funds that may be combined to provide permanent gap financing for the housing portion of a project, pursuant to this Plan. Conversion to a long-term loan may be conditioned upon affordability restrictions for additional units.

2002 Levy Investment Earnings

Levy investment earnings shall be allocated in accordance with the Affordable Housing Financing Plan, as amended.

1986 and 1995 Levy Interest Earnings and Loan Repayments

Interest earnings and loan repayments from 1986 or 1995 Housing Levy capital programs or projects will be used according to the following program policies:

- Funds derived from that portion of the 1995 Levy Rental Housing Production Program eligible for households at 50-65% of median income, will be used consistent with 2002 Levy Neighborhood Housing Opportunity Program policies;
- All other funds derived from the 1995 Levy Rental Housing Production Program will be used consistent with the 2002 Levy's Rental Preservation & Production Program policies, provided that all units supported with such funds must serve very low-income households;
- Funds derived from the 1986 Levy Special Needs, Downtown Preservation, and Small Family programs, will be used consistent with the 2002 Levy's Rental Preservation & Production Program policies.

Table 1: 2002 Housing Levy Program Funding Plan

FUNDS AVAILABLE		2003	2004	2005	2006	2007	2008	2009	TOTAL
TOTAL		$12,285,714	$12,285,714	$12,285,714	$12,285,714	$12,285,714	$12,285,714	$12,285,714	$86,000,000

PROGRAM		2003	2004	2005	2006	2007	2008	2009	TOTALS
Rental Preservation & Production Program		$8,015,714	$8,015,714	$8,015,714	$8,015,714	$8,015,714	$8,015,715	$8,015,715	$56,110,000
	OH Admin	$461,372	$461,372	$461,372	$461,372	$461,372	$461,372	$461,372	$3,229,604
Neighborhood Housing Opportunity Program		$1,030,571	$1,030,571	$1,030,571	$1,030,571	$1,030,572	$1,030,572	$1,030,572	$7,214,000
	OH Admin	$59,318	$59,318	$59,318	$59,318	$59,318	$59,318	$59,319	$415,227
Operating & Maintenance Program		$1,109,286	$1,109,286	$1,109,286	$1,109,285	$1,109,285	$1,109,286	$1,109,286	$7,765,000
Homeownership Program		$1,115,857	$1,115,857	$1,115,857	$1,115,857	$1,115,857	$1,115,857	$1,115,858	$7,811,000
	OH Admin	$64,227	$64,227	$64,227	$64,227	$64,227	$64,227	$64,227	$449,589
Rental Assistance Program		$406,000	$406,000	$406,000	$406,000	$406,000	$406,000	$406,000	$2,842,000
	HSD Admin	$23,369	$23,369	$23,369	$23,368	$23,368	$23,368	$23,369	$163,580
TOTAL		$12,285,714	$12,285,714	$12,285,714	$12,285,712	$12,285,713	$12,285,715	$12,285,718	$86,000,000

REPORTING

The Office of Housing will provide the following reports to the Mayor and City Council. Reports will be reviewed in draft by the Housing Levy Oversight Committee.

Annual Report

The Annual Report will be produced and provided to the Mayor and City Council no later than February 28 of each year, covering activity for the previous year. The Annual Report will include, but not be limited to, the following:

- Accomplishments/Production for each Levy program:
    - Rental Preservation & Production—units funded and funding reserved for those units;
    - Homeownership—number of loans approved, value of loans approved, number of loans in the City's portfolio, value of all loans in the City's portfolio, delinquency rates for loans in the portfolio, levels of activity of participating agencies and/or financial institutions, and number of loans sold to new buyers;
    - Neighborhood Housing Opportunity Program—units funded and funding reserved to those units;
    - Rental Assistance—number of households provided housing assistance and success at stabilizing households;
    - Operating & Maintenance—units funded and their funding level, and the extent of Section 8 voucher activity linked to Levy funded projects.
- Affordability levels served, actual compared to policy;
- Leverage achieved for each Levy program;
- Brief status of units produced under the 1986 and 1995 housing levies;
- Bridge lending activity;
- Recommended policy changes needed to improve program performance/production;
- Any additional information that the Housing Levy Oversight Committee believes should be included.

Mid-year Report

The Mid-year Report will be produced and provided to the Mayor and City Council no later than August 31 of each year. It is intended to focus on issues that relate to the City's budget.

RENTAL PRESERVATION & PRODUCTION PROGRAM

	TOTAL 2003-2009	BIENNIUM 2005-2006
Program funding	$56,100,000	$16,031,429
Goal	1,522 units	435 units

Rental Housing Priorities (2005-2008 Consolidated Plan)

The rental housing priorities described below indicate the types of rental housing the City is most interested in funding, but are not listed in priority order. Proposed projects not meeting one or more these priorities may still be considered for City funding.

Priority: Housing for families with children
Particular interest:
- The area of greatest need based on 2000 Census special tabulation data provided by HUD is housing for extremely low-income families (0-30% of median income);
- Supportive transitional and permanent housing for families who are homeless, including projects participating in the Gates Foundation Sound Families Initiative.

Priority: Housing for small households
Particular interest:
- The area of greatest need among Seattle's small households is for housing for extremely low-income (0-30% of median income) single individuals;
- Permanent supportive housing projects serving people who are chronically homeless and/or disabled.

Priority: Preservation of subsidized rental housing projects with expiring affordability restrictions
Particular interest:
- Projects that preserve affordable units that are at risk due to expiring project-based Section 8 subsidy.
- Preservation of tax credit projects with expiring affordability restrictions, if rents are currently below-market and buildings serve a significant number of very low-income (0-50% of median income) households.

Priority: Housing that helps address specified community development objectives
Particular interest:
- Affordable workforce housing (generally housing affordable to households with incomes 31-80% of median income) that furthers revitalization or other community development goals in Housing Investment Areas. Strategies and priorities for Housing Investment Areas are identified in the Levy Administrative & Financial Plan, Consolidated Plan, and neighborhood plans.

- New construction of affordable housing in urban centers, especially those lagging in meeting their residential growth targets as identified in the Comprehensive Plan or those where affordable housing is needed to help mitigate displacement of low-income people due to gentrification.
- Transit-oriented development projects that are generally located within ½ mile of a light rail station, monorail station, or major transit center.

Program Policies

1. Use of funds

The City's affordable rental housing priorities are included in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as it may be amended.

Program funds can be used as long-term loans, bridge loans, reserves for additional loans to projects under development and, under certain circumstances, supplemental funding for projects previously funded by the City.

Program funds can be used to pay for acquisition and/or rehabilitation costs associated with preserving existing vacant or occupied buildings, for new construction projects, and for permanent or "take-out" financing, including refinancing of existing loans.

Eligible acquisition costs include reasonable costs associated with building or land purchase, such as:

- Purchase price
- Option costs
- Financing fees
- Appraisal costs
- Closing costs
- Interest
- Inspection fees
- Title insurance
- Professional fees

Eligible rehabilitation and new construction costs include but are not limited to:

- Architectural/engineering fees
- Construction costs
- Relocation costs
- Operating costs during project rent-up
- Hazardous materials abatement

Eligible permanent or "take out" financing costs include costs related to the acquisition, development and construction of the units.

Reasonable development fees will also be an eligible use of Levy funds. Development fees must be consistent with OH's Developer Fee Policy, as published in the Office of Housing's annual Notice of Funding Availability (NOFA) and as it may be amended by the Director from time to time, and will be considered as part of the development budget for a proposed project. OH will review the proposed development fee for nonprofit agencies that receive other City funds for their housing development services to insure that Levy and other City funds are not being used for the same purpose.

For projects selected for funding, up-front development costs incurred prior to a project's selection will be eligible for Levy reimbursement. Examples of up-front costs include earnest money agreements, legal costs, and preliminary architectural or engineering costs. Impact Capital (IC) is a potential source of up-front development costs for nonprofit agencies. Levy funds can be used to repay Impact Capital loans.

2. Eligible projects

Levy program funding may be used as described below. Eligible projects may include entire buildings, individual units(s) within a building, portions of a building, or individual units(s) or portions of several different buildings, consistent with the policies described below.

Levy funds can be used for projects that combine subsidized rental housing with market-rate units or other uses. The borrower must demonstrate that City funding is attributable to the Levy-eligible housing and that costs of other parts of the project are paid from funds eligible for that purpose.

Residential space includes common areas and support space, to the extent attributable to the housing and not to other uses. Examples include:

- Common areas for resident use such as television or reading rooms;
- Areas for cooking, eating, bathing;
- Corridors, stairwells, storage areas;
- Management office space; and
- Building lobby area.

For projects serving special needs populations, other accessory space (e.g. space used for on-site social services for residents) that is necessary for the viability of the project may be considered part of the Levy-eligible housing.

Levy funds may be allocated to non-residential areas of mixed-use buildings only for work directly benefiting the residential units; e.g., rehabilitation work that is part of overall exterior building improvements (masonry repairs) or rehabilitation work necessary to insure the structural integrity of the building. Costs associated with commercial tenant improvements or improvements to market-rate units are not eligible for Levy funding.

Mixed-use buildings will require financing for non-housing portions of a project. While Levy funds may not be used for costs allocable to non-housing portions, nor for costs allocable to housing for ineligible tenants, OH will help applicants identify other project funding or innovative fund sources to cover non-housing project costs.

Where it is impractical to segregate construction or rehabilitation costs between Levy funded units and other portions of a mixed-use or mixed-income project, the OH Director may permit such costs to be prorated between Levy funding and other funding sources based on any reasonable formula. In order to facilitate development of the Levy-eligible units, OH may allow Levy funds to be used for the full amount of a cost item (such as land or building purchase) that is partially attributable to non-residential or market-rate space, if there is adequate assurance that sufficient funding from appropriate sources will be provided prior to project completion to pay for a share of total project costs equal to the full amount allocable to such space and that final cost certification will confirm the allocation of costs of such space to such sources.

3. Eligible tenants

Tenant households must generally have incomes at or below the applicable limit for the unit—30%, 50% or 60% of area median income, adjusted for household size, to be eligible to live in a unit assisted through the Rental Preservation & Production Program. Detailed rent requirements are outlined in Section 8, Occupancy and Rent Requirements, and the requirements for individual projects will be included in loan documents prior to fund disbursement.

In some projects, some or all units may be reserved for homeless persons or households with one or more members who have a disability or special need.

Where appropriate borrowers are expected to contract with service providers or provide appropriate support services. Projects providing transitional housing will be required to link support services directly to households in those units, but on-site services will not necessarily be required.

4. Eligible borrowers

Eligible borrowers of Housing Levy funds are:

- Private nonprofit agencies;
- Public Development Authorities;
- Seattle Housing Authority (SHA), except that Levy funds for housing units developed as part of SHA HOPE VI redevelopments are not eligible unless the City Council approves such use through a Memorandum of Agreement or other agreement with SHA;
- Private for-profit owners/developers.

Private nonprofit agencies will be required to submit articles of incorporation and an IRS letter as proof of nonprofit status. Eligible nonprofits must have a charitable purpose, which may or may not include the provision of housing. The City's preference is to provide funding to nonprofit borrowers, including public agencies that have established housing as a primary mission and track record of the organization. Through the project selection process, priority will be given to nonprofit and public agencies that have demonstrated ability to develop and/or manage low-income housing, and to limited partnerships or other organizations through which such nonprofit and public agencies obtain tax credits to help finance a project.

Any partnership or organization created by a nonprofit or public corporation in order to obtain tax credits may be treated by the Director as a nonprofit corporation for purposes of the policies in this Plan. The Director also may consider as nonprofit corporation any corporation, limited liability company, general partnership, joint venture, or limited partnership if all shareholders, members, partners, and any other equity owners of such entity are nonprofit corporations or public entities.

Borrowers ordinarily must demonstrate previous experience in the development, ownership, and management of housing projects similar to the project being proposed. If the nonprofit borrower does not have previous experience in one or more of those areas, the borrower will be expected to propose an appropriate relationship with another entity in order to demonstrate required experience. OH will evaluate the experience of a borrower's management/development team, staff, Board of Directors, and other project and program experience to determine there is sufficient capacity to develop, own and operate housing on a long-term basis.

5. Maximum City percentage of project financing

The City's maximum percentage of project financing includes all OH and other capital funds administered or allocated by the City that may be combined to provide permanent gap financing for the housing portion of a project, including funds from any Housing Levy, the Community Development Block Grant Program, HOME Program, Housing Bonus Program, Transferable Development Rights Program, any special mitigation funds, program income, Office of Economic Development (OED) Equity funds, and OED Community Development Corporation and technical assistance funds if used as capital for development or other long-term capital gap-financing subsidy. The City's maximum percentage of project financing also includes funding awarded from King County Document Recording Fees allocation processes. Bridge or Section 108 loans are not included in computing the percentage. For purposes of this section, "project" is defined as those units in the building(s) that are City funded and rent-regulated, and the common areas, elements or portions allocable to those units.

Leveraging other non-City resources is required for most projects. The established maximum percentage of project financing figures will be reviewed in light of actual project experience when future plans are prepared and will be revised if necessary.

In general, the maximum per project amount that the City will provide is 40% of total development costs of the low-income housing portion of a project. Total development costs are all components of typical development budgets, including acquisition (land and/or building), construction costs, and soft costs.

Waivers may be granted by the OH Director on a project-by-project basis to permit City funding in excess of the percentage stated in the previous paragraph. The OH Director may approve an increase in City subsidy of an additional 10%, up to a total of 50% of the low-income housing portion of a project's total development costs for projects that clearly demonstrate the need for a policy waiver.

Waivers may be considered on a case by case basis for projects meeting one or more of the following criteria:

- Projects that are located in an area with little or no subsidized, low-income housing, or in an area identified in the City's comprehensive plan or other adopted policies as one in which low-income subsidized housing should be encouraged.
- Projects that provide special amenities and/or unique design features for the proposed tenant population. This may include projects that contain larger units for families; or projects that require reconfiguration of units to meet the needs of the proposed population; or special design features resulting from the participation of potential tenants and/or community members in project development.
- Projects where other public funders have made their maximum award or for which maximum leveraging of other public fund sources is not possible due to timing considerations, i.e. sources not available at time project should proceed. OH may ask borrowers to apply for other fund sources later, if appropriate.

OH will use costs of previously funded, comparable projects as a guide in determining if a waiver is justified; however, waiver decisions will be made on a case by case basis based on specifics of the particular project or situation. Additional waivers permitting higher City subsidy amounts may be granted if the OH Director finds that the leveraging potential of other fund sources is very limited and higher City subsidy is warranted. In this limited circumstance, funding in excess of 50% of total development costs of the City-funded units is permissible, as long as the project is a rental housing priority of particular interest as described in this A&F Plan.

6. Location

Funded projects may be located in any neighborhood, subject to any applicable policies provided in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as may be amended.

7. Siting

The following criteria will be considered during the project selection process to determine if the location of a proposed project promotes a quality environment for the population to be served, and will apply equally to transitional and permanent housing projects:

- proximity to transit, goods and services necessary for the specific population;
- relationship and compatibility of the project with other uses in the area;
- safety and security of the location for the proposed population;
- special amenities (e.g., availability of safe and secure outdoor play space for children in family housing projects).

Proposed projects must also be in compliance with the City's Siting Policy (formerly called the dispersion policy), as provided in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as it may be amended.

8. Notification

Borrowers must initiate a community notification effort prior to application for funding. The full text of the City's Good Neighbor Guidelines is included in Appendix H of the 2005-2008 Consolidated Plan for Housing & Community Development, as it may be amended. Failure to comply with notification guidelines may result in rejection of an application, denial of funding, deferral of funding pending further notification efforts, or other remedies as determined by the OH Director.

9. Occupancy and rent requirements

(a) Income-eligible tenants and affordable rent levels

Generally, program funds are available only for units that will be occupied by tenants with incomes at or below the applicable limits at affordable rents for the respective income categories. Tenant households with income above the eligibility levels are called "over-income tenants." City funding will not be available for units that will be occupied by residents with income greater than 80% of median income (at the time of their initial occupancy or the time of City funding, if later); however, the City may require as a funding condition that units occupied by such tenants, although not City-funded, become rent-regulated under a City Regulatory Agreement when occupancy changes.

Where an existing, occupied project is to be acquired or rehabilitated with Levy funds targeted at households with incomes up to 30%, 50% or 60% of median income, and some units subsidized with those funds are occupied by over-income tenants with income up to 80% of median income, Levy funds may be used for units that will be brought into compliance with income and affordability rules for the target income group within two years of the date of the loan agreement. The initial regulatory term would be established for a fifty-two year period. By the end of the initial two-year period after the date of the loan agreement, over-income tenants would need to be relocated or the Borrower would be in default.

Extremely low-income tenant households (30% of median income and below) in units subsidized through the Operating & Maintenance Program generally are required to pay 35% of their incomes toward rent and utilities, consistent with the Operating & Maintenance Program section of this Plan.

Tenants who are income-eligible at the time of their initial occupancy or the time of City funding, whichever is later, generally are not required to be relocated merely because they become over-income tenants through changes in income or household size.

See subsection (e) for policies applicable to projects receiving HUD "Section 8" or certain other subsidies.

(b) Rent increases

Rents immediately after rehabilitation or after acquisition for low-income tenants in Levy-funded units generally should not exceed before-rehabilitation or before-acquisition rents. Displacement of low-income tenants due to after-rehabilitation or after-acquisition rent increases should be avoided. Higher after-rehabilitation or after-acquisition rents will be considered only if necessary to insure adequate project operating funds. After-rehabilitation and after-acquisition rents for vacant units and rents for newly constructed units should generally not exceed an average of the rents for comparable occupied units.

During the loan term, rents for occupied units can be increased up to 1.5% per annum or up to the percent increase in the Housing Component of the Consumer Price Index (CPI) for Rent of Primary Residences for the Seattle area, whichever is greater, provided that the adjusted rent can be no greater than the maximum affordable rent for the target income category specified in the project regulatory agreement. However, projects that have experienced extraordinary expenses may request an increase greater than the amount allowed, provided that the rent is consistent with the applicable affordability restrictions and OH has reviewed the request and approved it. Upon unit turnover, rents may be adjusted to the maximum allowable rent based on number of bedrooms and affordability level. OH will publish the CPI escalation factor and maximum affordable rents by number of bedrooms annually. The intent is to permit modest rent increases as operating costs increase in order to avoid sudden, sizeable rent increases that could displace residents and also to avoid undue financial hardship on borrowers.

Borrowers shall estimate operating costs in operating proforma approved by OH. Operating costs shall include taxes, insurance, utilities, salaries, management fees, replacement and operating reserves, maintenance supplies and services, and other such expenses as shall be allowed by OH.

At no time during the term of the loan can rents payable by tenants for units occupied by income-eligible tenants exceed "affordable rent" as defined under "Program Definitions" below.

Rents for over-income tenants may be increased above "affordable rent levels." If the property includes market-rate units or units with different income eligibility levels, and if OH has approved a "floating unit" regime, the unit occupied by an over-income tenant may cease to be considered a City-funded unit, or may be moved to a higher income category, upon substitution of a comparable unit.

(c) Fund allocation policy

Levy Program funds for Rental Preservation & Production are subject to the following policy:

- All Levy Rental Preservation & Production Program funds must be used for housing with affordable rents for households with incomes at 60% of median income;
- At least 59% of Levy Rental Preservation & Production Program funds shall be used for housing with affordable rents for households with incomes at 30% of median income;
- Up to 10% of Levy Rental Preservation & Production Program funds may be used for housing with affordable rents for households with incomes at 60% of median income but not affordable rents for very low-income households;
- Up to 31% of Levy Rental Preservation & Production Program funds may be used for housing with affordable rents for very low-income households but not affordable rents for extremely low-income households.

OH administers the fund allocation policy across the Rental Preservation & Production program as a whole, not on an individual project-by-project basis. The policy is administered on a two-year cycle. All projects approved for Levy program funding from January 1, 2005 through December 31, 2006 shall be included in calculating City affordability policy goals for the 2005-2006 period.

(d) Other policies

Borrowers who have committed to serve specific populations must obtain OH approval for any change in low-income population to be served. If some event occurs, such as loss of services funding, that the borrower believes requires a change in the tenant population, the borrower should consult with OH concerning alternatives and then current City priorities.

Commercial space rental income should be used to reduce residential rents or to subsidize the housing operating expenses whenever possible.

Rent levels for units assisted under both the Housing Levy Program policies and directly under federal HUD programs shall be consistent with applicable federal laws or regulations now or hereafter in effect, and any terms of HUD or SHA contracts. Where rent subsidies or vouchers are provided by HUD or SHA, the Director may allow the total rent charged to be the maximum allowed by HUD or SHA, provided that the tenant is not required to pay an amount that would exceed affordable rent (unless the tenant is an over-income tenant).

For so long as Housing Levy Operating & Maintenance Program subsidies are provided with respect to a unit, the rent requirements contained in the portion of this Administrative and Financial Plan governing that Program shall apply to that unit and shall supersede any other rent limitations otherwise applicable, except as stated in the preceding paragraph.

10. Loan conditions

The intent of the Levy is to provide long-term low-income housing for permanent or transitional occupancy. Loan conditions are meant to promote and encourage long-term use of properties for low-income housing. The OH Director may deviate from the loan terms and conditions contained in this Plan in the following cases:

- for tax credit partnerships, where such loan terms may impair the availability of tax benefits; or
- when the borrower expects to receive other funding sources from which full or partial repayment of the City loan can be made prior to the normal maturity date.

In addition, the Director may agree to modifications or limits on the City's exercise of rights under loan documents where necessary to enable the project to secure other funding, including HUD-insured loans and HUD capital grants.

Debt service requirements may be established depending on income level served, operating budgets, and extent of other subsidies used. "Tax credit partnerships" may include limited liability companies or other entities organized to utilize low-income housing tax credits and/or other tax credits.

(a) Loan terms

Permanent loan terms will be a minimum of 50 years. OH may provide an acquisition or construction loan for a much shorter term that is eligible for conversion to a permanent loan upon satisfaction of conditions.

(b) Interest rate

The interest rate for projects not using low-income housing tax credits will generally be 1% for nonprofit-sponsored projects, 3% for private for-profit-sponsored projects, and will be set according to the project's ability to support debt service. The interest rate for projects using low-income housing tax credits will be a minimum of 1% simple interest and a maximum of the Applicable Federal Rate for the purposes of Section 42 of the Internal Revenue Code, depending on the project's projected capacity for repayment. The actual interest rate for projects using low-income housing tax credits will generally range from 1-3% and will be set on a case-by-case basis. The interest rate will exceed 1% where there is a net financial benefit to the project. The purpose of establishing a range for the interest rate on Levy funds is to provide flexibility in financial structuring to maximize tax credit equity contributions and to help preserve long-term affordability. Interest on program loans will accrue annually as simple interest.

(c) Repayment

OH will generally make deferred payment loans that must be repaid out of a share of surplus, residual cash flow, and are payable in full on sale, change of use, or at the end of the loan term. Borrowers may further defer payment of principal, deferred interest, and contingent interest by extending the loan term. Amortizing loans will be required if project budgets can afford repayment and meet required rent levels. Terms of repayment required will be established as each project is reviewed.

(d) Transfer and assumption

The OH Director may permit the transfer and assumption of the loan, and the transfer of the property acquired, constructed or rehabilitated with the proceeds of the loan, without requiring repayment of principal, interest or other amounts owing under the loan at the time of the transfer, under any of the following circumstances:

- The loan is assumed by a tax credit partnership and the partnership makes a substantial equity investment in the low-income housing;
- The property is transferred by a tax credit partnership to a nonprofit corporation or public agency approved by the Director, including without limitation a transfer to the general partner pursuant to the terms of an option agreement made in connection with the formation of the limited partnership; or
- The property is transferred, with the approval of the Director, to a qualified nonprofit corporation or public agency, without substantial consideration to the transferor other than assumption by the transferee of outstanding obligations.

Prospective new owners must complete a transfer of ownership application and meet the guidelines established for transfer of ownership.

(e) Covenant

A covenant will be recorded against the property that requires continued use of the property for low-income housing for the stated term of the loan, and for any period for which the loan is extended. Unless otherwise agreed by the Director, the covenant shall continue in effect if the loan is repaid or discharged before the maturity. The Director may release the covenant, wholly or in part, in connection with a sale of the property approved by the Director, including any foreclosure, if the Director determines that under all the circumstances, including any proposed substitution of other units, the release will likely result in a net benefit to the City’s efforts to achieve low-income housing goals, compared to maintaining the covenant.

(f) Contingent interest

City participation in project equity in the event of change of use or sale of property (contingent interest) shall be required for all Rental Preservation & Production Program projects. Upon sale, change of use, or prepayment of the loan, loan principal plus the greater of either deferred interest or contingent interest shall be due. Contingent interest shall be calculated according to a formula established by OH.

The City's contingent interest should reflect the amount of City funds contributed as permanent financing to a project and should be modified by any additional funds contributed during the loan term, such as capital contributions approved by the City or borrower subsidy necessary to cover operating losses. For example, if City funds are 50% of total project costs, the City should receive, in addition to repayment of its principal, 50% of proceeds remaining after repayment of approved project debt (but not including contingent interest owing to other project lenders).

(g) Prepayment premium

Prepayment of loans under the Rental Preservation & Production Program will be subject to Office of Housing approval. Such approval shall not be unreasonably withheld if the borrower provides adequate assurances of future compliance with the affordability and occupancy restrictions in the regulatory agreement and recorded covenant. If a borrower repays the City loan (principal plus the greater of interest or contingent interest) during the first 15 years of the loan term, a prepayment premium shall also be due.

The prepayment premium shall be 50% of the original loan principal if the loan is repaid during the first five years of the loan term. The prepayment will decline by 5% per year in years 6 through 15. There will be no prepayment premium after 15 years.

Prepayment premiums shall not be due in the event of involuntary prepayment, due to casualty where there are insufficient insurance proceeds or other sources reasonably available to complete the repairs or condemnation.

(h) Loan term extension

Any unpaid principal balance and accrued, but unpaid interest on OH loans will be due and payable at the end of the 50 year loan term; however, borrowers shall have the option of extension, or, in certain circumstances, forgiveness of the OH debt. At the end of the loan term, borrowers will be encouraged to extend the loan term and continue to extend the period of affordability restrictions for an additional 25 years, provided the property continues to be in compliance with the OH affordability requirements.

(i) Debt forgiveness

Projects serving extremely low-income households shall be defined as projects with 50% or more units with rents affordable to extremely low-income residents. For such projects, debt is forgivable under the following terms: if the loan term is extended for 25 years, the loan principal and accrued, unpaid interest will be forgiven at the rate of 4% per year (of the total principal balance and accrued interest obligation as of the end of the initial loan term), so long as the borrower and the property remain in compliance with OH loan documents.

For any other types of projects, principal debt and ordinary interest are not forgivable, but if the period of affordability restrictions is extended for an additional 25 years, the borrower may extend the repayment term for 25 years and continue to pay the outstanding debt from a portion of net cash flow as determined by a formula approved by the Housing Director.

(j) Use of funds owing to the City

Sale of projects during the loan term requires City consent. Loan payments to the City will be deposited in the Low-Income Housing Fund. Funds will not necessarily be reallocated to the Levy program from which they were committed. Funds returned from all Levy programs will be reallocated by OH to low-income housing projects according to priorities established in the current Administrative and Financial Plan or appropriate City policy plans as determined by OH.

(k) Refinancing

OH may allow refinancing of private debt in cases that result in additional capital investment in the project, that result in a lower interest rate, or that produce some other long-term project benefit. In general, OH will subordinate its deed of trust to new financing on reasonable terms if the outstanding principal balance of the new loan does not exceed the existing balance of a loan senior to the City deed of trust, or if the additional debt is used to repay a portion of the OH loan or for low-income housing purposes approved by OH, or some combination of these uses. OH shall review refinancing proposals, including the proposed new financing terms, proposed transaction costs, an assessment of the capital needs of the development and the adequacy of reserve accounts, and may define additional submittal requirements.

(l) Additional project subsidies

At the end of the loan term and at the borrower's request any time during the loan term, the City and the borrower should review the status of a project and evaluate its continued feasibility. Projects will be underwritten with the goal of having a financing plan that achieves self-sufficiency for each project, so that repairs and improvements can be fully covered from the project's operating income or reserves. The City recognizes that in some cases a capital subsidy may be needed to assure the continued life of the project. If capital and operating subsidies necessary to maintain project viability are not available, the City and the borrower should in good faith use their best efforts to jointly develop strategies to maintain affordability and project viability. Remedies to maintain project viability may include additional City, other public, or private resources, as well as City-approved adjustments in rent levels or number of project units that must remain low-income, consistent with City policy and other applicable laws and regulations.

The Office of Housing may use a portion of Levy Rental Preservation & Production funds to meet the capital needs of existing city-funded projects, if the project meets all of the following criteria: a) the property has a critical capital need or code violation that cannot be addressed through the property's cash flow, reserves or other available resources, b) no other funding is available within the time frame required for the project, c) a public benefit will be realized as a result of the additional City funds, d) the borrower will make a significant financial contribution, and e) the borrower has demonstrated a plan for capable management and fiscal operations of the property. Such funds may be provided as shorter-term loans or added to existing long-term OH loans, as OH may determine based on the circumstances of the project.

(m) Property standards

Borrowers will be required to provide well-maintained and well-managed housing. Loan conditions will require sufficient replacement and operating reserves to help ensure projects are well maintained and managed.

(n) Non-recourse

Loans generally shall be made on a non-recourse basis, with the City's remedy limited to its security in the project, project rents, and project reserves, except in cases of fraud, waste or other circumstances determined by the OH Director to justify recourse against the borrower. OH may require recourse to the borrower or a guarantor, either temporarily or until certain conditions are satisfied, in particular circumstances where the City’s security in the property may be inadequate.

(o) Special needs projects

Loan terms may include occupancy requirements specific to dedicating units for homeless individuals or households with special needs. Borrowers whose projects have units restricted to persons with particular special needs may propose to change the special needs or target population group being served in a project sometime during the 50-year loan term. If an event occurs requiring a change in population group served, borrowers with special needs projects will first be required to serve another special needs population approved by the City. If OH determines that that is not feasible or appropriate, OH may allow a general income-eligible population to be served.

(p) Use of Levy projects as security for other low-income projects

Borrowers may use Levy-funded projects as security for financing other low-income housing projects if borrowers receive advance written approval from OH. OH may give such approval if the borrower demonstrates that using a Levy-funded project as security for financing another project will achieve benefits for the City and not jeopardize the viability of the Levy-funded projects.

(q) Bridge loans

Bridge loan policies are provided in the “Program Funding Plan” chapter of this Plan.

(r) Conduit financing

In order to take advantage of opportunities or to respond to requirements of particular projects, the Director may provide Levy funds to a project indirectly, for example by a loan to a borrower that then re-lends the funds to a project owner or lessee. Such financing may include, without limitation, acquisition of tax-exempt bonds from a conduit financing agency where the proceeds are used for an eligible project. In general, the project owner or lessee in such cases must agree to the regulatory terms described above and must provide a deed of trust for the benefit of the City, or that is assigned to the City.

(s) Leases

Site control through ownership of property is preferred to site control through a long-term lease except in cases where the lessor and lessee agree to accept the loan conditions described above and the City receives security in both leasehold and fee interests. Projects involving a borrower that is a lessee where lessor and lessee do not both accept these terms and conditions will be permitted only if the project represents an unusual cost-effective opportunity or furthers other community development objectives.

At a minimum, the following conditions will apply to properties where the borrower is the lessee and the owner does not agree to accept the normal loan terms and conditions above:

- Repayment: Loans involving leases must be structured to provide for repayment over the life of the lease. The OH Director may modify the normal repayment terms, as appropriate, by requiring different terms from or in addition to those generally specified by this Administrative and Financial Plan.

- Construction standard: Projects must meet construction standards appropriate for and consistent with the length of the lease term.
- Property standards: The housing must be maintained and managed consistent with Section 10(m) above. In addition, replacement reserves should be sufficient to maintain decent, safe, and sanitary housing during the lease term. Replacement reserve funds remaining at the end of the lease term should be used in other low-income housing projects.
- Borrower equity: Borrowers must contribute equity to the project. OH will establish the appropriate requirement for each project.
- Interest rate: The interest rate shall be consistent with Section 10(b) above.
- Lease term: Minimum lease term is 50 years with preference for longer terms when feasible. The lease term must exceed the City loan term by at least six months.
- Security: Security for the City loan should be appropriate to protect the City's interest in repayment of the loan.

11. Fair contracting practices, WMBE utilization

Borrowers must comply with the City’s Fair Contracting Practices Ordinance. Borrowers and their general contractors shall be encouraged to take actions, consistent with that ordinance, that would increase opportunities for women and minority business enterprises (WMBEs). A combined WMBE aspirational goal of 14% of the total construction and other contracted services contracts shall apply for all affordable rental housing capital projects funded by OH. OH shall encourage additional efforts to increase WMBE participation including mentoring programs and participation in apprenticeship and other training opportunities.

12. Leveraging

A goal of the Levy is to leverage non-City resources for capital, operating, and supportive services to the greatest extent possible. Project borrowers are encouraged to combine Levy funds with resources from federal and State programs, e.g., McKinney Homeless Assistance Act, State Housing Trust Fund, State Operating & Maintenance Funds, and the King County Regional Affordable Housing Program (funded by document recording fees). Leveraging of foundation and grant funds, and owner equity are strongly encouraged. Borrowers shall consider Levy funds as matching funds for other fund sources.

In the project selection process, projects will be evaluated on the extent to which non-City funds are included while, at the same time, affordable rents are maintained for low-income households. Projects may be approved contingent on borrower application for funding from appropriate non-City, public or private fund sources that may reduce the need for Levy funds.

Use of the low-income housing tax credit and historic preservation tax credit programs will be encouraged whenever possible. In general, project equity available as a result of participation in a tax credit program after a reasonable allowance for the costs of obtaining such equity shall be used to reduce the City's share of project funding. The OH Director may allow a portion of the equity funding from tax credits to reduce the other funding sources' shares of project financing or be used to subsidize operating expenses of special needs projects.

13. Relocation, displacement, and real property acquisition

OH discourages affordable rental housing proposals that will result in permanent displacement of households. Projects should be designed to minimize displacement of households. Any temporary relocation or permanent displacement of households must comply with all applicable provisions of (a) the City's Tenant Relocation Assistance Ordinance (TRAO), (b) the City's Just Cause Eviction Ordinance; and (c) for projects using federal funds, the City's Residential Anti-Displacement and Relocation Assistance Plan (RARAP), the federal Uniform Relocation Act (URA), and other relocation regulations and handbooks applicable to the particular funding program.

These policies, laws and regulations contain, among other requirements, different timelines under which households must be given various notices and provide for financial assistance under certain circumstances. More information is available from the Department of Planning & Development: http://www.seattle.gov/dpd/publications/landlord_tenant/landlordtenant.asp or by phone at (206) 684-7867 (just cause eviction and tenant relocation assistance) and (206) 684-7979 (Tenant Relocation Assistance Ordinance). In addition, consultation with OH staff prior to submission of applications for funding is required for any applicant whose project will involve any temporary or permanent relocation activities.

14. Management plan

Good management is critical to the overall success of projects. Project borrowers will be required to submit a management plan to OH for approval. Management plans should include the following:

- The occupancy standard (minimum and maximum number of persons for each type of unit) for the project. Any occupancy standards and their implementation must not conflict with federal, State or City Fair Housing standards.
- Rent collection policies and procedures for dealing with late payments of rent and damage to units.
- Description of management philosophy and experience serving proposed client population.
- Identification of key staff position(s) both on and off-site involved in managing the building including a description of staff responsibilities, previous experience, and program for staff training.
- Policies for making budget adjustments including expenditures of replacement and operating reserves and description of work order process.
- Description of long-term maintenance plan, including a schedule for both exterior and interior maintenance of the building.
- Description of building security and emergency plan, including schedule for periodic building inspections.
- Description of the tenant screening and selection process.
- Plan describing how vacant units are made ready and leased to new tenants upon turnover.
- Commitment to the City's Just Cause Eviction Ordinance.
- Referral process from programs serving households who are homeless.
- Affirmative Marketing Plan—plan must include marketing methods designed to reach tenants from all segments of the community, including tenants who are persons of color and persons with disabilities. Because a substantial number of persons who are homeless are persons of color, minorities, non-English-speaking persons and persons

with disabilities, it will be important for proposals serving people who are homeless to demonstrate borrower understanding of the needs of persons form diverse backgrounds and cultures and of persons with disabilities.

- Description of ongoing community education and involvement strategy, including steps that would be taken to address complaints or issues raised by tenants and neighbors about the building or tenants.
- Copy of leases or rental agreements to be used and description of how tenant files and other records will be maintained.
- Description of the process for determining rent increases, and for informing tenants of rent increases.
- Schedule for periodic capital needs assessment of life cycle cost analysis for the replacement of major building components to ensure the replacement reserve is adequate for the life of the project.
- Management plans for special needs housing, transitional housing, or other housing requesting support services funding should also include the following information:
  - Description of service support program to be provided to tenant households.
  - Description of process for selecting/referring homeless households living in emergency shelters to the transitional housing project.
  - Demonstration that adequate funding is available for the service support program component.
  - Identification of key staff responsible for coordinating or providing supportive services.
  - If different agencies are responsible for managing the housing units and the supportive services program, description of relationship between agencies and copies of written agreements between the agencies.
  - Involvement of tenants in project governance.
  - Description of performance or outcome measures.

15. Project selection

Applicants will submit proposals to OH in response to a general Notice of Funding Availability (NOFA). OH will publish the NOFA schedule at the beginning of each year. The NOFA will describe when applications may be submitted and outline application requirements. All applications must include information requested in the NOFA. Incomplete applications will be returned to applicants; minor deficiencies may be corrected during the review process. Major deficiencies will cause the application to be withdrawn from the funding round.

All applicants are strongly encouraged to attend a project pre-application conference with OH staff prior to submitting an application for funding, consistent with requirements outlined in the NOFA. Funding applications will first be reviewed by OH staff. Staff will review project proposals for consistency with Levy policies and develop funding conditions, if appropriate.

The Director may reserve a portion of any year's Levy appropriation in order to provide additional funding for approved projects if required due to unforeseen cost increases or unavailability of other funds expected at the time of approval. If additional funds become available, for example, due to cancellation of a project or cost savings, the Director may apply such funds to any such necessary increase and/or to projects for which qualifying applications were received in response to a prior NOFA but that could not be funded, or could not be fully funded, due to insufficient funds then available.

Funding recommendations shall be made by a Credit Committee, comprised of persons appointed by the OH Director. The Credit Committee shall include private and public sector housing finance professionals, as well as representatives of the Mayor's Office and City Council, if available, and other persons with expertise in affordable housing. The OH Director, whose decisions on funding shall be final, will make project selection decisions based on Director's judgment as to the overall mix of projects that will best implement the City's policies. Results will be reported to the Housing Levy Oversight Committee. Project selection will be based on, but not limited to, the following general criteria:

- Reasonable cost—project cost comparison.
- Project readiness—is the applicant ready to move the project forward in a timely way; is the timing of the other funding sources sequenced appropriately?
- Rental housing priorities—which projects best meet the City's rental housing priorities?
- Overall investment opportunity—which projects provide the most public benefit for the City?
- Community development opportunity—which projects offer community benefit beyond provision of housing units?
- Borrower's track record—has applicant demonstrated successful development and operation of affordable housing, is applicant agency current with all reporting information on previously funded projects; does borrower have adequate financial capacity; are previously funded projects proceeding on schedule and within budget?

The criteria will be published in NOFA documents, with more explanation on how criteria will be applied. All complete applications received by the application deadline will receive consideration for funding.

Funding announcements by the Director are preliminary and not binding on the City until contract documents are negotiated and signed by both the Director and the applicant. After funding decisions are announced, the Director may revoke or reduce funding to any project based on a number of factors, such as failure to meet funding conditions or failure of the applicant to obtain other funding; noncompliance by the applicant with City policies; determination of inaccuracies in the information submitted; increased costs or other factors affecting feasibility; results of environmental or other reviews; or failure to the applicant to agree to loan conditions. The Director also may increase funds to a project after initial funding decisions are made if reasonably necessary to assure success of the project or maximum public benefit, based on new information not available at the time of the initial decision.

16. Project proposal requirements

OH will release Notice of Fund Availability (NOFA) documents that outline specific project proposal requirements. Applicants will be required to submit information on proposed projects that may include, but not be limited to, the items below. Information will be requested from applicants in a manner and time appropriate to the specific type of project selection process.

- Project description, including location, number of units, current rents, and special characteristics.

- Evidence (resumes, narrative, recent audits and organization's current financial information, etc.) demonstrating project applicant experience and capacity in each of the following areas:
    - Development

    - Ownership
    - Management
    - Serving proposed population

- Experience of development team—description of development team members and their experience with the type of project proposed.

- Construction description—proposed rehabilitation/development plan including total scope of work, detailed cost estimates, drawings, reports and evidence of predesign conference with Department of Construction and Land Use (DCLU).

- Development schedule—timetable for development of the project.

- Phase I site assessment including asbestos/lead paint/hazardous materials survey—a survey to identify the presence and amount of asbestos/lead paint and/or any other hazardous materials or underground tanks within the building or elsewhere on site and a description of proposed abatement measures. A Phase II assessment will be required if recommended in the Phase I.

- Development budget, including acquisition, rehabilitation or new construction costs, and any relocation costs.

- Operating budget, including 15 year operating proforma with proposed rents and justification for operating subsidy, if requested.

- Fund sources—description of all project fund sources including amounts and evidence of funding commitments.

- Tenant profile—description of proposed and existing tenants, household size, estimate and source of tenant income, discussion of the need for and extent of relocation.

- Support services—budget and description of all services to be provided on and off site as appropriate, for the tenant population to be served.

- Evidence of site control—in addition to fee simple ownership, an option to purchase, an earnest money agreement, a lease (or option to lease) with a minimum term of 50 years, will constitute site control. OH will consider projects where the underlying ownership is through a real estate contract if the contract holder is willing to subordinate his/her interest to the OH loan or if there is adequate provision for the applicant to discharge the underlying contract and obtain fee title.

- Appraisal—if the project involves acquisition, an appraised value based on the highest and best use at the time of property acquisition will be used to assess whether or not a fair price is paid for land or a building. Appraisals, or letter of opinion, will be ordered by OH, or may be used if ordered by another project lending source acceptable to the City. Project applicants should make acquisition offers subject to verification by appraisals acceptable to the City.

- Community notification—description of results of community notification process and any results at time of application and plans for additional notification activities. Proposal must describe how community issues or concerns raised will be addressed.

- Zoning—description of zoning exception required, if applicable (examples of zoning exceptions: variance, special exception, design departure, and conditional use). Zoning exception approval may not be required at time of project application but normally will be required prior to final loan commitment, and evidence that approval can be secured in a timely manner will be required at time of project application.

In addition to information listed above, projects serving special needs populations will be required to submit the following:

- Project description—including description of housing and supportive services program. Applicant must describe population to be served and demonstrate how project will serve that population. Applicant must demonstrate extent of "market" or level of need for proposed project and describe project's impact on the target population.

- Evidence of site suitability—explanation why site is suitable for homeless or special needs population to be served.

17. Construction requirements

The following construction requirements will apply unless otherwise noted in the NOFA application. These requirements apply equally to both permanent and transitional housing projects.

(a) Quality of construction

Applicants will be expected to provide quality housing that will last for 50 years or longer.

(b) Sustainability

SeaGreen: Greening Seattle's Affordable Housing was developed by OH to promote energy conservation, operational savings, and sustainable building practices in affordable multifamily housing projects. The strategies included in the SeaGreen guide work to reduce operating costs, promote healthy environments and protect and conserve resources in City funded affordable housing projects. The SeaGreen guide was completed in November 2002, and likely will be updated periodically to reflect experience and changes in technology and sustainability practices.

Sustainable building practices can include (but are not limited to) conservation and environmental measures related to:

- Enhanced Design
- Site & Water
- Energy Efficiency
- Health & Indoor Air Quality
- Materials Efficiency
- Operation & Maintenance

Applicants are required to complete a SeaGreen Sustainability Plan Template checklist and describe their sustainability plans. The checklist should be submitted with the NOFA application.

(c) Universal design principles

Applicants are strongly encouraged, to the maximum extent financially feasible, to incorporate Universal Design Principles in housing units developed under the rental production and neighborhood opportunity programs.

(d) Rehabilitation

Rehabilitation standards will be flexible to accommodate a wide variety of unit and building types. Buildings will be required at a minimum to meet health and safety requirements of the Seattle Housing and Building Maintenance Code. Rehabilitation work will largely focus on repair/replacement of major building systems necessary to insure viable long-term housing. In addition, overall design of the project and proposed improvements must be appropriate to tenants to be housed.

(e) Phased rehabilitation

Phased rehabilitation refers to work items identified when a project is initially inspected but postponed until a later date. Work that could be postponed includes building components that have some remaining useful life or items like windows which could be replaced over several years. Work that would cause previously completed improvements to be redone cannot be phased.

Phased rehabilitation may be considered, but is disfavored unless all work items identified at the time a project is considered for funding and postponed until a future date have an identified funding source. Project budgets must either be structured to allow sufficient reserve funds to build up to pay for work postponed, or another source of funding must be identified.

Applicants must present a phased rehabilitation plan to OH for approval. A decision to phase rehabilitation will be made by OH within the context of a complete building evaluation that includes a total scope of rehabilitation and a cost for the entire project.

Plans for addressing project rehabilitation needs based on thorough building inspections will be required when projects are considered for funding. Plans must include work items to be accomplished immediately following project selection, and those items proposed to be phased over time. All major work items generally should be included at the time a project is funded.

(f) Contracting policies

As a general rule, all projects where cost of construction work exceeds $25,000 will follow a competitive contractor selection process. Applicants that wish to select a contractor through negotiated bid or other process must obtain advance approval from the Director of the Office of Housing. OH must approve contractor qualifications for projects prior to the start of construction. Unqualified contractors will be rejected. Pre-qualification of contractors will be allowed for purposes of establishing a defined list of contractors qualified for competitive bidding.

Competitive bids will be opened publicly. Bid openings will occur at a location to be determined by applicants; bids can be opened at OH at the request of applicants.

If applicants do not have sufficient in-house construction management capacity, they will be required to contract for this service. Applicants proposing to manage their own construction projects must obtain OH approval. Such applicants must have prior experience managing a construction project and have staff available to coordinate necessary work. In addition, the scope of work should appropriately match the agency's construction management experience and staff expertise.

Construction contracts shall encourage employment of female, minority and economically disadvantaged workers. Hiring of people who are homeless is encouraged.

(g) Wage rates

State residential prevailing wage rates shall apply to the Levy's Rental Preservation & Production Program; wage rate requirements will apply to the entire project, regardless of the amount of Levy funding in the project. State residential prevailing wage rates shall be the minimum rates paid for project construction. When federal funds are used in a project, the higher of either the State residential prevailing wage rates (unless modified as stated below) or Davis-Bacon wage rates (if applicable under federal law) will apply, unless applicable law otherwise requires or another funding source requires a higher minimum rate. OH Director may approve a change in these requirements if necessary to achieve compatibility with a state or federal funding source or to promote inclusion of Levy-funded units in mixed income and/or mixed-use buildings.

(h) Apprenticeship program participation

Applicants are encouraged to require contractors to participate in State-approved apprenticeship programs. Applicants who demonstrate to OH's satisfaction that requiring contractors to have previous experience with State-approved apprenticeship programs would be beneficial for project development can also include that requirement.

(i) Project labor agreements

Applicants who demonstrate to OH's satisfaction that use of a project labor agreement would be beneficial for project development may require a project labor agreement.

18. Project monitoring

The OH Director shall require reporting containing information on the status of the project from borrowers annually, or at any time upon reasonable advance notice.

(a) Performance measures

Performance measures will be based on the following principles:

- Measures should be based on information that is relatively accessible and easy to collect;
- Measures should be coordinated with those required by other funders in order to keep information unique to the City at a minimum;
- Deadlines for reporting and site visits by City staff should be coordinated with those of other funders to the extent possible;

- In most cases, reports provided for other funders should be acceptable for City monitoring purposes.

(b) Outcomes for housing project operations

Specific requirements will be included in loan documents, based on "Outcomes for Housing Project Operations" listed below. The ten desired outcomes of the City's multifamily low-income housing program are:

1. Rents and Occupancy
   The housing has rents affordable to low-income households and is occupied by income eligible households as specified in contractual agreements with the City.
2. Safe and Sanitary Condition
   The housing is continually in safe and sanitary condition, and is in conformance with the Seattle Housing and Building Maintenance Code and Housing Quality Standards. All improvements must be in accordance with the Seattle Building Code. The housing project is providing all the common facilities and design features originally constructed, or altered through mutual consent, in the project.
3. Sound Project Fiscal Management
   The project is being operated according to sound fiscal management practices, and all reserves, taxes, utilities and debt service are being timely paid, including any amounts due to the City.
4. Sound Borrower Fiscal Health
   The project borrower is in sound fiscal health.
5. Management Plan
   The project is operated according to the agency's original, or amended, management plan. Long-term capital needs for maintenance, repairs and major replacements are adequately planned for and done in a timely manner.
6. Project Serves Intended Population
   A project which is designed for a particular population or housing need, such as persons who are mentally ill or have substance abuse problem is serving the group approved by City and is providing services as specified in the agency's management plan, as specified in contractual agreements with the City.
7. Affirmative Marketing and Nondiscrimination
   The housing is being affirmatively marketed and nondiscriminatory treatment for all applicants and occupants is assured.
8. Good Neighbor
   The housing project is a good neighbor, which is measured by good maintenance and responsiveness to neighborhood concerns and complaints.
9. Programs Serve a Variety of People
   Collectively, the housing funded by City of Seattle programs is serving the variety of low-income households, ethnic groups, and persons with special needs that have been identified as in need of multifamily housing assistance.
10. Operations and Maintenance Subsidy
    For projects in receipt of operations and maintenance subsidy, eligible households are utilizing the subsidy, and the need for the subsidy is documented on an annual basis.

19. Affirmative marketing

Both nonprofit and for-profit borrowers receiving Levy program loan assistance will be required to affirmatively market vacant units. Borrowers must use marketing methods designed to reach persons from all segments of the community, including minorities, persons of color and persons with disabilities. In addition, owners are strongly encouraged to inform providers of emergency shelters and transitional housing about their projects and to promote access to households ready to move into permanent housing. Owners will be required to maintain records of their affirmative marketing efforts and to report annually to OH on those efforts.

Borrowers of funding for transitional housing will be required to develop processes to assure that homeless individuals or families coming out of emergency shelters have equal access to transitional housing projects.

NEIGHBORHOOD HOUSING OPPORTUNITY PROGRAM (NHOP)

	TOTAL 2003-2009	BIENNIUM 2005-2006
Program funding	$7,214,000	$2,061,143
Goal	196 units	56 units

Program objectives

The NHOP is a new program within the 2002 Housing Levy. Funding through this program is available for rental housing, and may be combined with other City funding, as further described in the Program Policies section below.

During 2005-2006, OH will proactively seek to fund units/projects with NHOP funding meeting the following objectives:

- Focus funding primarily within economically distressed communities.
- Seek projects that have a catalytic effect in revitalizing economically distressed communities. Specific criteria are listed in the Program Policies section below.
- Encourage development of projects in historically distressed areas (Central Area, Southeast Seattle, and the Delridge Valley area of Southwest Seattle).

Program policies

Rental Preservation & Production Program policies will generally guide NHOP funding, except as noted below.

1. Geographic focus

Ordinance 120823 directs NHOP funding primarily to "economically distressed communities." The maps attached as Attachment B show "economically distressed communities" where NHOP funds will primarily be used, meaning:

- At least 75% of program funding shall be used within target areas shown on the maps in Attachment B;
- Up to 25% of program funding may be used anywhere in the City, including within target areas, provided projects meet some combination of criteria listed under "3. Project section" below.

Funding must meet these percentage allowances over the 2 year period (2005-2006).

2. Funding allocation policy

NHOP funds are subject to the following policy:

- At least 25% of program funding shall be used for units serving households with incomes up to 30% of median income;
- All program funding must be used for units serving households with incomes up to 80% of median income.

3. Project selection

To be funded, projects must meet some combination of the following criteria:

- Mixed-use and/or mixed-income projects that support key community-identified development goals or revitalization strategies (eg. Neighborhood Plan project or program);
- Project achieves multiple strategic objectives in support of community development and project can demonstrate community support due to project support of community objectives (e.g. Neighborhood Plan project or program);
- Project is of a size and scale to make a significant community impact;
- Project, by itself or as part of larger effort, is catalyst for additional desired development;
- Project helps mitigate impacts of gentrification, for example, helping to maintain a variety of housing types and prices in a community;
- Project fills gap in housing continuum and thereby helps create or maintain diversity of housing opportunity;
- Project utilizes innovative design and architecture, preserves historic or landmark buildings, promotes transit-oriented development, and/or deals with blight and neglect.

4. Combining NHOP funds with other City funds

NHOP funding may be used in combination with other City funding, subject to overall limitations on amounts of City funding permitted per project outlined in the Rental Preservation & Production Program policies section.

5. Project unit mix

Projects funded through this program may include mixed-use and mixed-income developments, provided that the mix of units in an individual project must include a range of very low- and low-income housing units; and that the Levy funds shall be used only for the portion of the project financing that is allocable to the units that will serve income-eligible households.

OPERATING & MAINTENANCE PROGRAM

	TOTAL 2003-2009	BIENNIUM 2005-2006
Program funding	$7,765,000	$2,218,572
Goal	154 units approved for funding	44 units approved for funding

Program objectives

The Affordable Housing Financing Plan ("AHFP") for the 2002 Housing Levy passed by Seattle voters included $7,800,000 for the Operating & Maintenance (O&M) Program, assuming maximum authorized revenues and subject to any reallocations by ordinance. In addition, 2002 Levy investment earnings may be used for the O&M Program, in accordance with the Affordable Housing Financing Plan, as amended. The O&M Program was included in the Affordable Housing Financing Plan so that a portion of the Rental Preservation & Production Program housing would be affordable to a broader range of extremely low-income households (households with incomes at or below 30 percent of median income) than would be possible without such subsidy.

The 2002 O&M Program builds upon the success of the O&M programs in the 1986 and 1995 Housing levies. The program purpose is to provide operating support, or contingent commitments of operating support necessary to secure adequate financing, for housing affordable to households with incomes at or below 30% of the median income. Funds will be used to fill the gap between eligible operating and enhanced property management costs and project income.

Specific eligible operating and enhanced property management costs include:

- project operations and maintenance
- utilities
- property taxes
- operating and maintenance reserves
- project staffing and administrative costs
- contract services related to project operations

Program focus (2002 Levy)

OH estimates that approximately $110,000 of O&M annual subsidy will be made available in 2005-2006 to organizations providing extremely low-income housing. Average subsidy amounts will be based on borrower demonstration of need and costs for comparable projects. Priority will be given during the project review process to projects for which significant non-city operating or service funds have been secured and that will serve homeless or other special needs populations requiring supportive services to maintain safe, stable living arrangements.

Coordination with Seattle Housing Authority (SHA) on Section 8 subsidies
The SHA Board of Commissioners adopted a resolution in June 2002 committing, subject to HUD regulations and requirements, to allocate 500 project-based Section 8 vouchers to Levy-funded projects serving extremely low-income households. The Section 8 funds are a critical resource for the success of the 2002 Levy in meeting the production goals for units serving persons under 30% of median income. OH and SHA coordinate closely on the application, review and timing for allocation of Section 8 vouchers with the Levy Rental Preservation & Production Program.

Because Section 8 is subject to annual or periodic Congressional appropriations, the OH role in administering the O&M program includes biennial reviews of the availability and renewal trends for Section 8 contracts in Levy-funded units. This review is done and presented to the Levy Oversight Committee every two years as part of the process for updating the Levy Administrative & Financial Plan. As part of that report to the Levy Oversight Committee, OH recommends whether a need exists to hold part of the O&M funds as a reserve or to use O&M funds to provide short-term transition support to offset an unanticipated reduction in Section 8 assistance or other operating/support subsidy in Levy-funded units.

Program policies (2002, 1995, and 1986 Levy funding)

These policies shall apply to all initial commitments of O&M funds from the 2002 Housing Levy and to O&M subsidy agreements and annual renewals made under any of the housing levies for periods beginning after December 31, 2004, except to the extent that there is a binding contract in effect providing that the City will renew an agreement on specific terms established when prior policies were in effect. In such cases, renewals shall be based upon the terms of the existing agreement, except to the extent that OH and the project borrower shall agree to substitute different terms consistent with these policies.

1. Eligible projects

Projects funded by the 1986, 1995, or 2002 Levy that provide housing for extremely low-income households may be eligible to receive O&M subsidy from that same Levy. Private owners and developers as well as all types of nonprofit agencies, including public development authorities and other public agencies, except for SHA, are eligible to participate in the program.

2. Eligible households

To be eligible for O&M subsidy, units must be occupied by extremely low-income households.

3. Funding limits and match target for initial commitments

In order to provide opportunities for as many projects as possible to be funded, maximum funding of $2,500 per unit per year, for the initial full year of occupancy will be used in the 2005-2006 period. Borrowers will generally be required to demonstrate evidence of reasonable availability of a 100% match of project income for the O&M subsidy, from sources other than tenant rent payments. Section 8 subsidy and O&M subsidy may be combined for the same project to maximize the number of extremely low-income units, but subsidies from the two programs may not be combined to support operating costs of the same unit. This match can be comprised of financial support, in-kind assistance, or the reasonable value of services provided by a third party entity on site. Projects receiving O&M subsidy will be eligible for annual increases, subject to OH approval and availability of funds in the O&M program, to cover increases in eligible costs or the annual funding gap. The OH Director may approve raising the per unit limit for a project if he or she determines that it is necessary to make a project viable for a population with high service needs and the project would leverage above-average support from non-city sources. In order to meet the overall production goals established for the Levy, the average initial O&M amount per unit per year for the 2005-2006 period is expected to be $2,300 or less.

4. Development standards

Projects must provide quality housing with a minimum life of 50 years or more, assuming ongoing capitalization and use of replacement reserves. Rehabilitation should minimize ongoing maintenance and utility costs. Phased rehabilitation is allowable if fund sources can be identified for completion and there is a funding source for the work other than the O&M funds. All buildings are required to meet applicable zoning and building codes. O&M funds cannot be used to cover deferred development costs.

5. Rents

Eligible households are required to pay 35% of adjusted monthly gross income for rent and any tenant-paid utilities associated with a project. OH may permit exceptions if tenants are directing their income to other program goals such as education, savings for transition to permanent housing (e.g. first month rent, deposit), etc. Borrowers may request alternate rent schedules to meet unique program objectives; specific requirements will be outlined in subsidy contracts. Occupancy rates are expected to be maintained at least at 95% or a rate determined optimal for the specific project depending on the management plan. Annual project budgets should reflect estimated rental income based on program design unique to each project.

If a project uses federal funds and the borrower commits to a different rent limit or formula in order to avoid economic displacement of existing tenants, then the 35% figure may be reduced as necessary to comply with that commitment. Rents in projects that receive funds under the McKinney Act are determined in accordance with section 3 (a) of the 1937 Housing Act (i.e. 30 percent of income for rent and utilities). Income is to be reviewed annually and rental payments may be adjusted by the borrower. If a household's income changes prior to the annual review (due to loss of a job, addition of a household member, death of a household member, etc), rents can be adjusted.

Some households may have little or no income when first moving into O&M-subsidized housing. In these instances, the minimum tenant share of income paid for rent mentioned above may be waived or reduced until the household qualifies for public assistance or becomes employed. Borrowers must include any plan to temporarily reduce the share of tenant income required for rent in their application for O&M support, and must demonstrate that the housing units will be financially viable with the anticipated rent charged.

6. Adjustments to gross income

When determining rents, two adjustments to a household's gross income may be made. For a household having unreimbursed medical expenses in excess of three percent of its annual income, gross income can be reduced by the amount in excess of three percent. These expenses can also include non-medical expenses for the assistance and care of household members who are handicapped or disabled.

Another allowable deduction is the out-of-pocket costs for childcare (for children under 13 years of age) when it is necessary for the employment of an adult household member, or for his or her further education. The cost of childcare can be deducted from gross income. The amount must reflect the reasonable cost of care and cannot exceed household income.

7. Non-subsidized units

When a household subsidized by the program has an increase in income that results in a household income greater than 30 percent of the area median income, the unit is no longer eligible to receive subsidy. At the annual review or at such earlier time after the borrower becomes aware of the increase in income as may be specified by OH, the O&M subsidy would be discontinued. The household may have an adjustment to its rent depending on the terms of the City Regulatory Agreement or conditions of other funding.

8. Tenant paid utilities

When utilities are separately metered and paid by tenants, borrowers are required to use the utility allowance standard established by SHA or annually calculate the estimated cost for tenant-paid utilities. If using a standard other than SHA's, the estimate is to reflect a reasonable usage amount for each type of unit. The annual estimated cost is to be divided by 12 to determine a monthly average amount. This amount would be subtracted from the total tenant payment to produce the monthly rent the tenant would pay the borrower. In this situation, tenants would be responsible for paying their utilities directly, regardless of the amount.

9. Management plan

A management plan is required for each application for O&M subsidy. The plan must be consistent with the intent of the Levy and adhere to local laws and regulations. The elements of the plan are listed in Rental Preservation & Production Program portion of this Plan.

10. Maintenance plan

Each project must have a maintenance plan that describes how the building will be maintained. It should describe the acceptable standard for each room (living room, bathroom, kitchen, bedroom), common space (hallways, stairs, lobby), building systems (heating and plumbing), and building exterior (roof, walls, foundation, chimney). For example, maintenance standards for interior stairs would include that the stairs have lights that work, and the railings are safe and in good condition. It should also include a schedule for inspections and both exterior and interior maintenance of the building (fire safety, roof/gutter, HVAC maintenance etc). The plan must also describe how long-term maintenance will be accomplished.

11. Operating budget and use of funds

An operating budget in the required format must be submitted with each initial application for subsidy. For the annual review, an actual financial statement for the previous year and a proposed operating budget for the following year will be required. The budget must be based on the City's fiscal year, which begins January 1, unless the recipient receives written permission from OH to use a different fiscal year.

Subsidy funds under the 1986 Levy must be used for "operating and maintenance costs" as defined in Section 8.C of Ordinance 112904.

Eligible uses of 1995 and 2002 Levy O&M subsidy include costs for:

- On-site salaries and benefits including all personnel costs directly associated with operating the building.
- Off-site management including overhead and personnel costs that are necessary to operate the building but are not located at the site.
- The cost of a financial audit. An audit will be required for each project with a program subsidy of $35,000 or more, and from borrowers receiving an annual total of $50,000 in O&M subsidies for multiple projects. The audit must be obtained by the borrower. The audit must verify that the program funds were used for eligible expenses and that actual expenditures correspond to the project's approved operating budget. Projects with a program subsidy of less than $35,000 and total project revenue of less than $100,000 are not required to submit an audit, but are required to submit a detailed year end financial statement.
- Administrative expenses such as legal, advertising and marketing, insurance, collection loss, property and personal property taxes. Ongoing maintenance expenses such as materials, janitorial supplies, maintenance contracts, and security.
- Major repairs to and replacement of building systems and components such as replacing appliances and fixtures, major repairs to plumbing, electrical and heating systems, re-roofing buildings.
- Project paid utilities.
- Replacement reserve deposits are an eligible operating expense. O&M funds can be used to fund and build replacement reserves to a maximum set by the OH administrator, with disbursements from reserves restricted to repairs and replacement of major building components as approved by OH. The amount added to the reserve will be based on OH loan conditions and periodic Capital Needs Assessment Plans to be prepared by borrowers evaluating capital needs and the schedule for required replacement reserve expenditures.
- Operating reserve deposits to cover unforeseen operating costs. The annual deposit amount is normally 2.5% of total annual expenses except long-term replacement reserve items. Operating reserves will be allowed as an expense until the reserve accumulates to an amount equal to 50% of a year's operating budget. The operating reserve may also be used to pay for work that cannot be entirely funded by the replacement reserve. As part of the management plan, each borrower must provide their policy, including procedures and eligible costs, for how operating reserve funds may be spent. The requirements and limits on replacement and operating reserves for specific projects may be adjusted periodically by the Office of Housing based on a review of the capital needs and operating risks of projects and of other public funder standards.
- Enhanced property management: Support service costs directly related to managing the Levy-funded units, including, to the extent they are reasonably necessary costs of operating the housing in light of the population the borrower has committed to serve, costs of counseling, case management, or other on-site resident assistance.

The program will not subsidize debt service (including interest). O&M subsidies may be provided to a portion of units in a larger mixed-income project that has debt service, provided that all debt service costs are allocated to units serving households above 30% of median, or to units receiving Section 8 or other rental subsidy if expenses exceed income for the project.

12. Project selection for initial commitments

In response to a Notice of Funding Availability (NOFA), borrowers will submit proposals for program subsidy along with their application for capital funding. Proposal requirements for the program will be included in the NOFA.

The project review process considers the following project characteristics:
- The reasonableness of the proposed operating budget;
- The amount of operating and supportive service funds leveraged by the project;
- The experience of the borrower in serving similar populations as well as their general affordable housing development and management experience;
- The adequacy of the management plan for the proposed tenant population and building;
- The scope of rehabilitation and whether the work minimizes operating expenses;
- The adequacy of the maintenance plan in maintaining the building and preventing long-term maintenance problems; and
- The commitment and reasonableness of support services, if necessary, for the proposed tenant population.

13. Subsidy term

The Office of Housing will provide annual subsidy contracts for O&M support, and may make commitments of funding available up to a maximum of twenty years from the date of project completion, subject to availability of funding and to annual reviews that may result in adjustments to subsidy amounts or discontinuance of subsidy, in the discretion of OH. For example, subsidies may be reduced or discontinued if increasing revenues from other housing units, commercial space, or alternative subsidy sources are available to a project, or if shortfalls in funding resources require OH to prioritize O&M-eligible projects.

Subsidy contracts may provide that if, during the term of commitment for O&M subsidy, the subsidy is discontinued or reduced, and if the borrower therefore cannot meet operating expenses of the O&M units with rents affordable to extremely low-income households, the borrower may rent the units to any very low-income households who can pay rents sufficient to allow the borrower to cover operating costs of the units, but not to exceed affordable rents. The borrower must prepare a plan acceptable to OH before it can do so. The plan must give preference to the lowest income households who can pay such rents.

14. Annual reviews

OH will conduct financial, management, operations, and maintenance reviews of projects receiving subsidy each year. OH will also review the project and determine the subsidy amount for the following year.

For the annual review, the borrower must provide:
- An annual report according to the terms of the OH loan agreement.
- An actual financial statement, and audit, if applicable, for the project compared with the operating budget. The statement should include cumulative balances for replacement and operating reserves.
- The existing tenant profile including rental amounts charged and tenant income.
- Rehabilitation work planned for the next year, if any, and the source of funds for the work.

- Major maintenance work planned for the next year, if any.
- Schedule for periodic completion of a capital needs assessment that includes a life cycle cost analysis for the major building components and a 20 year schedule of replacement reserve deposits and expected expenditures
- Examination of services outcomes and copies of service contracts.
- An operating budget for the next year with the projected monthly rent schedule.
- A narrative report explaining how the subsidy received in the prior year and the subsidy requested for the next year will allow the borrower to meet its commitment to serve extremely low-income households.

15. Subsidy payments and adjustments

Subsidy will generally be paid to projects on a quarterly basis. The amount and the conditions for providing subsidy will be negotiated between OH and the borrower, and established in an annual contract amendment. The amount of subsidy paid each quarter will depend on the operating budget and cumulatively can not exceed the approved annual amount. Borrowers will be required to provide quarterly financial reports. Borrowers may request subsidy readjustment at any time; however, except for unusual circumstances, OH will review just one adjustment request per project annually.

Adjustments to the subsidy amounts prior to the annual review will only be made when it is determined by OH to be reasonable due to unforeseen circumstances. For example, if a borrower had tenants with incomes much lower than expected, an adjustment to the subsidy amount may be made. Likewise, if expenses such as insurance or utilities take a sudden and dramatic jump, an adjustment to the subsidy amount may be made, if in the judgment of OH, there are sufficient uncommitted O&M funds to provide an increase.

A project that is showing a surplus may be required to make repayment to OH or make additional contributions to its operating and replacement reserves, or if those reserve balances are deemed adequate, its subsidy might be reduced until the project's cash flow requires the full subsidy again.

If OH deems that the need for additional subsidy is due to circumstances within the borrower's control, such as low occupancy, then the borrower may be required to provide a plan for corrective action before requesting a subsidy adjustment.

HOMEOWNERSHIP PROGRAM

	TOTAL 2003-2009	BIENNIUM 2005-2006
Program funding	$7,811,000	$2,231,714
Goal	326 homebuyers	93 homebuyers

Levy Homeownership Program funds assist low-income first-time homebuyers to purchase a home in the City of Seattle. A total of $7.8 million of Levy funding is allocated for homebuyer assistance, not including administration. A goal has been established of assisting 326 low-income households to become homeowners through participation in this program. Preference is given to borrowers who live in Seattle or with a least one person employed in the city.

Program objectives

The following general program objectives guide the homebuyer assistance program:

- Provide home purchase assistance to eligible borrowers to help them become homeowners in Seattle.
- Help maintain and expand the affordable housing capacity in the City, particularly within economically distressed communities, by supporting the development of new housing and the renovation of vacant or deteriorated housing.
- Promote homeownership in Seattle, particularly for low-income households and people of color.
- Aggressively pursue other sources of homebuyer assistance funds (State Housing Trust Fund, Federal Home Loan Bank, etc.) to leverage the available Levy dollars with a goal of achieving a $2 to $1 ratio of City funds to non-City funds provided for homeownership.
- Give priority to projects or programs that bring highest leverage to the Levy funding with a goal of achieving a $2 to $1 ratio of City funds to non-City funds. All program participants (banks, non-profits, borrowers) should contribute in order to participate; e.g., loan or development discounts, fee waivers, other downpayment assistance funds for banks; a proven lending/administrative track record for nonprofit organizations; adequate cash savings for borrowers, etc.
- Use existing service delivery systems for lending activities.
- Require borrowers to complete pre-purchase homebuyer education program conducted by a trainer certified by the Washington State Housing Finance Commission, U.S. Department of Housing and Urban Development, Neighborhood Reinvestment Full-Cycle Lending, or other education program for first-time buyers approved by the Office of Housing. OH will conduct periodic reviews in cooperation with other funders, nonprofit counseling agencies and lenders to determine if changes in the education requirement are needed.
- Support pre-purchase and post-purchase counseling through qualified nonprofit counseling agencies where necessary, and encourage referrals through a clearinghouse for matching the pre-purchase and post-purchase educational needs of potential borrowers with available training programs.

- Prepare an annual financial report including information such as:
    - number of loans approved,
    - value of loans approved,
    - number of loans in portfolio,
    - value of loans in portfolio,
    - delinquency rate for loans in portfolio,
    - repayment terms and projected loan repayments,
    - leveraging of other funds,
    - levels of activity of participating agencies and/or financial institutions,
    - number of homes sold to new owners.
- Continue working on program development activities for the expansion of the program, including:
    - leveraging additional public and private funding,
    - coordinating with housing repair, weatherization and other community revitalization efforts,
    - exploring opportunities for program models, such as land trusts, coops, lease-purchase, etc.,
    - using both Levy and other sources of funding that may become available.
- Prepare an annual program performance report providing information such as any additional fund sources identified for the homebuyer assistance program, and the community development impacts in economically distressed areas.

Program policies

1. Funding allocation policy and geographic focus

At least half of program funding will assist borrowers with incomes at or below 60% of median income; all program funding must be used to assist borrowers with incomes at or below 80% of median income.

Levy funds will be used primarily in Housing Investment Areas. These areas are shown on the maps attached as Attachment A. At least 75% of funds will assist borrowers purchasing homes in these areas. Up to 25% of funds are available city-wide, including Housing Investment Areas.

2. Eligible use of funds

Levy funds may only be used for (1) downpayment and closing cost assistance and/or interest rate write down for eligible buyers or (2) acquisition costs incurred by a nonprofit organization that will restrict the initial sale and subsequent resales of the home or homes through an OH-approved land trust project.

Borrowers must purchase a home in Seattle and use it as their principal residence. All types of for-sale units are eligible, including single-family residences, condominium units, limited equity cooperatives, co-housing, land trusts, and homes on leased land. Purchases of investment properties are not allowed under this program. Homes with an accessory dwelling unit are eligible, provided that the borrower will be an owner-occupant of the home. A lease-to-own contract may be considered a purchase.

Borrowers may purchase any type of residential property, whether currently owner- or renter-occupied or vacant. If tenants are displaced as a result of a sale to an owner-occupant under this program, tenant relocation assistance, if any, will not be paid out of Levy funds.

3. Homebuyer eligibility

Borrowers must be low-income, first-time homebuyers. First-time homebuyer is defined as any individual who has not owned a home during the three-year period prior to purchase of a home using City homebuyer assistance funds. Any individual who is a displaced homemaker may not be excluded because that individual, while a homemaker, previously owned a home with his or her former spouse or partner. Any individual who is a single parent or guardian of a minor child may not be excluded because that individual previously owned a home with his or her spouse or partner. Definitions of “displaced homemaker” and “single parent” are as set forth in 24 CFR 92.2.

Borrowers must successfully complete a pre-purchase homebuyer education program approved by OH. Borrowers must be able to financially qualify for a first mortgage approved by OH.

4. Lending guidelines

Homebuyer assistance loans will be limited to the amount needed for each borrower, providing gap financing for low-income borrowers unable to qualify for sufficient private financing to purchase a home.

Borrowers may receive homebuyer assistance loans up to a maximum of $45,000 per assisted household, including Levy funds and other City-administered funds, unless the maximum is increased in accordance with provisions below. Homebuyer assistance loans include loans to homebuyers and loans to developers or prior owners assumed by, or otherwise passed through to, homebuyers. Homebuyer assistance loans may be used for downpayments, closing costs, and/or first mortgage loan interest rate write down, as approved by OH. City-funded assistance for any home improvements, if committed or provided in connection with a home purchase, is considered to be assistance for the purchase and, together with the homebuyer assistance loan, cannot exceed the applicable loan limit except in the following cases: (1) assistance provided to a nonprofit developer for home purchase and improvement costs associated with an OH-approved land trust project, and (2) assistance to an eligible buyer purchasing a home located within a Housing Investment Area, for which the combined homebuyer and home improvement assistance may total up to $65,000, provided that the homebuyer assistance loan does not exceed $45,000.

In order that single-source downpayment assistance may be provided for the convenience of borrowers, in lieu of loans from Levy or other City funds and non-City sources to the same borrower, OH may allow a higher amount of City-funded home purchase assistance, not to exceed $70,000, for a borrower that receives a loan made as part of a project or lending program for which a developer or nonprofit lending agency has obtained commitments of non-City homebuyer subsidy funds, but only if all of the following conditions are satisfied:

1. Non-City subsidy funds provided to such project or program must be used for deferred down payment assistance loans or other assistance that increases the ability of low-income households to purchase a home.
2. The average amount of City-administered home purchase assistance for all low-income homebuyers participating in the project or lending program, including buyers who do not receive any City-administered funds, may not exceed $45,000.

The OH Director may revise the maximum loan amount of $45,000 by up to $10,000 for homebuyer assistance if increases in interest rates or sales prices, or lack of other homebuyer subsidies, create difficulty in qualifying households with incomes up to 60% of median income as eligible homebuyers in Seattle. The OH Director must provide five working days notice to the Mayor and City Council if the loan amount is to be increased. The final decision of the OH Director will be made with responses from the Mayor and City Council taken into account. Council approval is required if the OH Director wants to increase the maximum loan amount by more than $10,000.

Homebuyer assistance loans will be structured with repayment obligations, using a promissory note and deed of trust approved by OH.

Loans will generally be 30-year amortizing loans, with payments deferred for the first 5 to 8 years. Loans may include provisions for payment of a share of appreciation. Any share of appreciation payable may be reduced and/or eliminated over time. Loan repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest; loan term; period of payment deferral; and any contingent interest or share of appreciation.

Borrowers must provide a minimum of $2,500 or 2% of the purchase price, whichever is greater, of their own funds toward the home purchase as a condition to any homebuyer assistance loan. Borrowers may receive gifts of funds towards their portion of the downpayment; however, gifts must not exceed 25% of the borrower's total downpayment requirement. Borrowers with incomes 60% of median income or less may provide a lower contribution as follows: (1) for borrowers who are participating in an Individual Development Account-type matching fund program, verified and approved by the Office of Housing, the minimum downpayment to be paid from the borrower’s own funds, not including any matching funds provided to the borrower, is $2,500; (2) for borrowers participating in an OH-approved nonprofit-sponsored sweat equity housing program that requires significant participation by the borrower, the borrower’s contribution of volunteer time may be accepted in lieu of the minimum cash contribution; and (3) for borrowers who have a long-term disability and whose household income includes SSI or similar public income support, gifts may constitute up to 75% of the borrower's total downpayment requirement.

The terms of each loan made to a homebuyer shall provide that the entire principal balance is due upon sale or refinancing of the home, at the lender’s option, to the extent permitted by applicable law. However, OH may permit assumption of the loan by another eligible borrower in lieu of repayment.

Borrowers may use any first mortgage product approved by OH, including FHA & Fannie Mae products, and portfolio loans. FHA 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds $5,000.

5. Allocation of funds

OH will issue a general Notice of Funding Availability (NOFA) for homebuyer assistance funds. The NOFA will describe when applications may be submitted and outline application requirements. Applications may be submitted by a nonprofit or for-profit developer, lender, or other organization requesting an allocation of funds for eligible low-income homebuyers to be assisted through a development project or lending program.

New applicants are strongly encouraged to attend a pre-application conference with OH staff to discuss program requirements and project feasibility.

OH staff will review proposals based on criteria including financial feasibility, organizational capacity, leverage of other fund sources and consistency with Levy policies.

Funding awards shall be approved by the OH Director. Funding awards are preliminary, and may be contingent on commitment of other homebuyer assistance subsidy funds or other funding conditions.

Upon evidence that any funding conditions have been met, OH will enter into an agreement with the developer or nonprofit lending agency. The agreement will reserve homebuyer assistance funding for the project or program for up to two years. The agreement will establish the documentation required for each home purchase transaction, including buyer information, loan terms, form of loan documents, promissory notes and deeds of trust required for city assistance.

OH will process purchase assistance requests for each low-income buyer at the time that the buyer is ready to purchase a home. OH will review documentation to determine borrower eligibility and consistency with Levy policies and program guidelines.

6. Relocation, displacement, and real property acquisition

OH discourages proposals for development of affordable for-sale homes that will result in permanent displacement of households. Projects should be designed to minimize displacement of households. Any temporary relocation or permanent displacement of households must comply with all applicable provisions of (a) the City's Tenant Relocation Assistance Ordinance (TRAO), (b) the City's Just Cause Eviction Ordinance; and (c) for projects using federal funds, the City's Residential Anti-Displacement and Relocation Assistance Plan (RARAP), the federal Uniform Relocation Act (URA), and other relocation regulations and handbooks applicable to the particular funding program.

These policies, laws and regulations contain, among other requirements, different timelines under which households must be given various notices and provide for financial assistance under certain circumstances. More information is available from the Department of Planning & Development: http://www.seattle.gov/dpd/publications/landlord_tenant/landlordtenant.asp or by phone at (206) 684-7867 (just cause eviction and tenant relocation assistance) and (206) 684-7979 (Tenant Relocation Assistance Ordinance). In addition, consultation with OH staff prior to submission of applications for funding is required for any applicant whose project will involve any temporary or permanent relocation activities.

RENTAL ASSISTANCE PROGRAM

	TOTAL 2003-2009	BIENNIUM 2005-2006
Program funding	$2,842,000	$812,000
Goal	3,500 households served	1,000 households served

Rental assistance is one of the program areas funded by Seattle's 2002 Low-Income Housing Levy. Rental assistance is a cash subsidy that enables low-income individuals or households to pay rent. The rental assistance is usually paid directly to a private landlord through a community-based, non-profit organization. Rental assistance is often supported with case management or other supportive services to help the tenant remain stable.

The City of Seattle has provided rental assistance since 1993 to help families who are transitioning out of homelessness as well as those who are in imminent danger of losing their housing due to eviction.

Program objectives

The following general program objectives guide the City's rental assistance programs:

- Serve those in greatest need. To help those least able to afford housing in Seattle, the City's rental assistance programs serve very low-income households and individuals.
- Structure assistance so that it leads to long-term, measurable outcomes.
- Effectively serve ethnically, culturally, and geographically diverse households by forming partnerships with community-based agencies.
- Leverage other resources to supplement City funds.
- Link with private-sector landlords, in recognition of the fact that most of the people served by the City's rental assistance program will be tenants in private-market housing.

In 2005, approximately $400,000 in Levy funds will be linked with Federal HOME and other City funds to provide approximately $850,000 for rental assistance. These rental assistance funds support two programs:

(1) The Rental Stabilization Program provides six- to eighteen-month rent subsidies to very low-income households transitioning out of homelessness as well as those in danger of eviction. The program leverages Federal HOME funds by providing case management services to help tenants remain stable in their housing and to address the many special needs of those who have been or are at risk of becoming homeless. Administration of this program is contracted out to a community-based, non-profit organization through a competitive process managed by the City's Human Services Department. The Rental Stabilization Program serves between 75 and 100 households a year. Participants are contacted six months after they leave the program to determine whether they have been able to remain housed and stable.

(2) The Emergency Rental Assistance Program is administered jointly by the City's Human Services Department and the United Way of King County. Assistance is disbursed through pre-qualified community-based agencies to very low-income households in need of rental assistance of three months or less. The City contracts with United Way to allocate rental assistance funds to nonprofit agencies. Community-based agencies make the Emergency Rental Assistance Program subsidies available as a supplement to their existing case management and other human services programs. The program serves approximately 400 persons a year. Participants are contacted six months after they receive assistance to determine whether they have been able to remain housed and stable.

Program policies

The rental assistance programs will be guided by the following policies:

- Only very low-income households and individuals residing in Seattle are eligible to apply for funds.
- Levy funds are used to pay for case management services for participants in the Rental Stabilization Program, which enables the City to leverage Federal HOME funds and other resources for rent assistance.
- Both programs require monitoring of outcomes for participants after six months to determine whether they have been able to remain housed and stable.

PROGRAM DEFINITIONS

In general, the following terms shall have the following meanings unless the context otherwise clearly suggests a different meaning:

"Affordable rent" for low-income tenants means annual rent not exceeding 30% of 80% of median income; affordable rent for tenants with income not exceeding 60% of median income means annual rent not exceeding 30% of 60% of median income; affordable rent for very low-income tenants means an annual rent not exceeding 30% of 50% of median income; and affordable rent for extremely low-income tenants in O&M-assisted units means an annual rent not exceeding 35% of 30% of median income and in units not assisted by O&M means annual rent not exceeding 30% of 30% of median income.

"Extremely low-income" means income not exceeding 30% of median income.

"Income" means household income computed in conformity with requirements of the federal HOME program, unless the OH Director shall permit another method of computation for a particular project or class of projects.

"Low-income" means income not exceeding 80% of median income.

"Median income" means annual family median income for the Seattle-Bellevue-Everett Primary Metropolitan Statistical Area, or for the Seattle-Bellevue-Everett Division of the Seattle-Tacoma-Bellevue Metropolitan Statistical Area, whichever is then generally used by HUD to establish income limits for federal programs, as published from time to time by HUD, and as adjusted for household size according to the method used by HUD for income limits in subsidized housing. For purposes of rent limits, median income generally is adjusted according to the presumed family size based on the number of bedrooms in a unit, consistent with HUD rules for the HOME program.

"Rent" means all amounts charged for the use or occupancy of the project (whether or not denominated as rent or constituting rent under state law), plus a utility allowance for heat, gas, electricity, water, sewer, and refuse collection (to the extent such items are not paid for tenants by the owner).

"Very low-income" means income not exceeding 50% of median income.

The OH Director may adopt further refinements or interpretations of the above definitions, consistent with the intent of the Levy Ordinance and Affordable Housing Financing Plan, and Consolidated Plan Citywide Housing Funding Policies.

PROGRAM ADMINISTRATION

The AHFP includes a Summary of Levy Funding Allocation that splits total anticipated Levy funding into program categories, including $4.258 million for administration (approximately 5% of total funding). This administrative funding is intended to pay Office of Housing costs to administer 3 Levy programs (Rental Preservation & Production, Homeownership, and Neighborhood Housing Opportunity Program) and Human Services Department costs to administer the Rental Assistance Program. Administrative funding will be used as follows in 2005-2006:

Rental Preservation & Production
- TOTAL funds for administration: $3,229,604
- Portion of total to be used for administration in 2005-2006: $922,744

Homeownership
- TOTAL funds for administration: $449,589
- Portion of total to be used for administration in 2005-2006: $128,454

Neighborhood Housing Opportunity Program
- TOTAL funds for administration: $415,227
- Portion of total to be used for administration in 2005-2006: $118,636

Rental Assistance
- TOTAL funds for administration: $163,580
- Portion of total to be used for administration in 2005-2006: $46,738

Operating & Maintenance
- Total required for administration of 1986, 1995, and 2002 Levy O&M programs in 2005-2006 is $240,000.
- Funding for O&M Program administration will be paid from O&M interest earnings during 2005-2006: 1986 Levy (33.3%), 1995 Levy (33.3%), and 2002 Levy (33.4%).